



Employment Incentives to Support “Employment First”



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Opinion

As the nation moves to implement the “Employment First” initiative for citizens who have intellectual disability, one must question whether there are sufficient numbers of community based jobs to support the needs of individuals who have intellectual disability. The Bureau of Labor Statistics [1] reports that employment rates for citizens with disabilities already lag almost 50% behind their colleagues without disability. The mere existence of the 12c regulation regarding payment of less than minimum wage attests to the fact that many individuals with disabilities cannot compete in the traditional employment marketplace. With U-6 employment running at 7.2% for October 2018 [2], the challenge of locating sufficient employment opportunities for persons with intellectual disability is daunting. One must ask why an employer would elect to hire an employee who is any less than fully capable of performing the job.

Economists and psychologists seem to agree that human behavior is driven by incentives. If we expect employers to hire individuals who have intellectual disability, we need to incentivize this situation to the benefit of the employer. In a sense, the hiring must benefit the employer. Contemporary incentive programs exist in a number of states across the nation. They tend to take the form of tax credits, tax deductions, sales tax refunds, and preferential contracting. With the possible exception of Maryland’s preferential contracting practices, most have had limited effectiveness in promoting employment.

An incentive program must have certain qualities if it is to be a successful modifier of human behavior. These qualities include:

- i. The incentive must be sufficiently large to motivate employers to action.
- ii. Access to the incentive must not be complicated with so much “red tape” that employers become discouraged and decide to not seek the incentive.
- iii. The incentive program must be sufficiently publicized that the employer knows about it. These three factors must be incorporated into any incentive program if the program is to change employer behavior.

We are suggesting that the legislatures consider the following incentive programs to better support the employment of persons with Intellectual Disability.

Survey Employers Regarding Meaningful Incentives

A survey should be commissioned of large employers to ascertain information regarding their views about employing people with disabilities and related incentives, e.g., do they hire people with disabilities, obstacles to hiring people with disabilities, have they taken advantage of any incentives, the most impactful incentives and how large an incentive would have to be in order to motivate employer behavior. This information will guide effective legislation.

Support Creation of Staffing Agencies

Risk mitigation is a concern for employers because they do not want the liability, either workers compensation or general liability for employee behavior, that may be associated with hiring people with disabilities. To mitigate risks, non-profit agencies should be supported through funding to create employment agencies, from which an employer could lease employees without incurring these liabilities and responsibilities.

Establish Preferential Contracting Procedures

Preferential contracting seems to offer the greatest return. We would recommend giving preferential selection on contracts to agencies that employ a reasonable threshold of employees who have disabilities. This number should probably be 10-20% as a greater percentage would reduce the likelihood of attaining the goal of integrated employment.

Establish Meaningful Tax Credits/Tax Deductions

Support a 50% tax credit for employers. Most employers would want to see the incentive make up the difference in productivity between the workers with and without handicapping conditions. This percentage would support the employer who has an employee with disabilities who is working at 50% of the rate of a person without disabilities. A lesser performance will ultimately cost the employer money and perhaps jeopardize fiduciary responsibilities to stockholders. We would not endorse a sunset

on the tax credit, but rather an assurance that the benefit will continue as long as the individual is employed.

Support Providers to Create Jobs (Social Enterprises)

Support non-profit providers of residential and vocational supports/services to open businesses that employ individuals with and without disabilities. Woods Services, for example, recently opened a flower shop in a local shopping center. While it doesn't employ a large number of individuals, it offers integrated employment opportunities. This sort of employment should not be excluded from consideration as integrated employment. We would suggest that the Pennsylvania Department of Community and Economic Development fund startup costs associated of such social enterprises through a grant process, with awards anticipated to be in the \$150,000 to \$250,000 range.

There are possible negative consequences of incentives that directly impact individuals with disabilities. In some instances,

incentives restrict the availability of funding needed to access critical services. For example, the receipt of federal payments for some individuals with disabilities is contingent upon certain work restrictions such as the requirement that an individual not work over a specified number of hours or earn above a certain pay range. Similarly, Medicaid places limits on assets, such that an active employee might lose Medicaid coverage if he/she saved too much money from a job. With such restrictions, there may be a disincentive for seeking work for some recipients of federal aid. Finally, because group home residents receive clothing, food, lodging and some recreation, there may be a disincentive associated with not needing any additional money.

References

1. 17.5 percent of people with a disability employed in 2015 (2016) TED: The Economics Daily image. Bureau of Labor Statistics.
2. Macrotrends (2018) U-6 Unemployment rate.



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